Department of Energy
Savannah River Operations Office
P.O. Box A
Aiken, South Carolina 29802

NOV 2 8 2000

Mr. J. J. Buggy, President
Westinghouse Savannah River Company
Aiken, SC 29808

Dear Mr. Buggy:

SUBJECT: Award Fee Determination for April 1, 2000 through September 30, 2000, Award Fee Period 8 of Contract Number DE-AC09-96SR18500

I have completed my evaluation of the Westinghouse Savannah River Company (WSRC) contract performance and determined your award fee based on:

Assessment of performance of work in accordance with the Annual Operational Plan (AOP) for each of the six business areas of High Level Waste, Nuclear Materials Management and Nonproliferation, Solid Waste, Environmental Restoration, Tritium, and Operational Support Programs; Integrated evaluation of the performance of all work relative to the five Savannah River Site (SRS) Focus Areas of safety and security; technical capability and performance; community, state, and regulator relationships; cost-effectiveness; and corporate perspective; and the fact that WSRC met the minimum requirements for payment of fee pursuant to Contract Clause H.8.

As the Fee Determination Official for the Savannah River Operations Office, I am writing to inform you that WSRC earned $15,764,451 of the available fee of $18,097,925. The available fee includes carryover of $2,978,425 unearned fee from Award Fee Period 7 since WSRC achieved validated Productivity and Cost Effectiveness (PACE) savings in excess of the $60 million PACE goal for Fiscal Year (FY) 2000 and also met the other conditions of contract clause H.6.c(4), allowing carryover of fee.

The enclosed table delineates available fee and fee earned for each program element addressed below.

HIGH LEVEL WASTE

The High Level Waste (HLW) Program continues to effectively deal with numerous challenges. Production and support continued with no significant safety or environmental events. Ensuring that adequate Tank Farm Space is available to support ongoing site missions continues to be a challenge. WSRC management attention effectively deployed technical and operational resources and provided the necessary flexibility in the tank farms to support critical site programs. Significant resources have also been committed to the resolution of technical issues related to evaporator and wash water feed requirements. Resolution of these issues is essential to the future success of the HLW system and other critical site missions.

A downward trend in Tank Farm conduct of operations has been identified and is receiving increased management attention. The adequacy of the improvement measures implemented and the need for additional measures is under evaluation.

NUCLEAR MATERIALS MANAGEMENT AND NONPROLIFERATION

Overall performance by Nuclear Materials Stabilization and Storage (NMS&S) has improved significantly since the previous period. NMS&S completed all 2000-1 Implementation Plan commitments on schedule. The required startup activities for the FB-Line Bagless Transfer System were successfully completed, thereby allowing the resumption of bagless transfer operations. Improvements to the access into the facility along with modifications that are nearing completion have significantly improved the overall safety configuration. This key restart and the progress in completing a large number of the corrective actions from last year's FB-Line incident are significant accomplishments. Conceptual design began as scheduled on the Building 235-F Packaging and Stabilization Project.

In addition, several other key processes were restarted this period. These include the HB-Line Mixed Scrap Restart, the F-Canyon EBR-II and Mk 42 Stabilization process, and the H-Canyon 2nd uranium cycle operations. With the start-up of these activities, WSRC has made significant progress towards completing nuclear material stabilization activities.

While overall improvement in NMS&S performance is noted, improvement in disciplined work and operations is required in H-Canyon and H-Outside Facilities. WSRC supervision missed opportunities to intervene to mitigate errors on some occasions. DOE supports planned corrective actions and will monitor progress. A number of high potential radiological jobs elsewhere in the division have been performed well. Other good work practices, such as effective mock-up training, have resulted in very positive and noteworthy success.

Spent Fuel Storage Division continues to maintain excellent performance in the overall spent nuclear fuel receipts program. Excellent coordination with the foreign and domestic reactor operators and the spent nuclear fuel shipping contractors has enabled the program to meet or exceed program expectations. This included the onsite delivery of fuel and target elements to the canyon facilities as well as the accelerated transfer of fuel from the Receiving Basin for Offsite Fuel to L-Basin. The transfer of this fuel was accelerated due to delays in some of the receipts from offsite operators, and represents excellent management of resources following changes in baselines and expectations.

Two notable problems were identified which require improved control of work. In one instance radiological control hazards associated with a fuel shipment were not identified ahead of work performance. In the second instance the L-Experimental Facility (LEF) project experienced cost increases and schedule delays because WSRC did not maintain continuity of project management leadership.

Facilities Decommissioning Division (FDD) performance continues very strong. FDD's safety record has been excellent while performing significant deactivation activities, primarily within the 300-M area. The deactivation activities, including authorization basis revisions, in several 300-M facilities and 105-P will reduce surveillance and maintenance costs. These cost

reductions as well as the utilization of Assets for Services contracts will result in FDD increasing risk reduction activities in FY01 with no increase in budget.

SOLID WASTE

WSRC continued to improve waste management operations in most areas and made substantial progress in preparing for future shipments of transuranic (TRU) waste to the Waste Isolation Pilot Plant (WIPP). WSRC implemented new DOE waste management objectives on time, and other DOE sites adopted WSRC implementation strategies. WSRC proactively supported DOE efforts to identify waste management solutions aimed at early closure of the former Mound Plant in Ohio. The SRS program has not yet been certified against WIPP TRU disposal requirements, resulting in the original schedule for TRU shipments not being met. Maintaining revised schedules leading to shipment in February 2001 will be very important.

ENVIRONMENTAL RESTORATION

WSRC executed the most aggressive and innovative Environmental Restoration Program to date, establishing a basis for future success with constrained resources through a combination of process-related improvements, the application of innovative technology and remedies, and collaboration with regulators on win-win solutions.

Nearly 79% percent of available funds were allocated during the period to perform remediation, the highest level ever achieved by WSRC and substantially higher than the 55% industry benchmark. WSRC completed the requirements of an enforceable consent order with the South Carolina Department of Health and Environmental Control (SCDHEC) governing the operation of groundwater treatment units located in F- and H-Areas. The deployment of 33 innovative technologies during execution of the FY 2000 program saved over $13 million.

TRITIUM

Overall performance in Tritium Operations exceeded expectations with a few exceptions noted below. All production commitments were met while bringing costs in under budget. Good progress was made in the cooperative process development programs with Los Alamos National Laboratory. Engineering of new methods in production began to show improvements in operational efficiency. A change to classification guidance was poorly implemented resulting in many computerized databases being shut down until corrective actions could be completed. In addition, activation of a temporary Perimeter Intrusion Detection and Assessment System (PIDAS) for the Tritium Extraction Facility (TEF) project took longer than expected resulting in an unplanned increase in protective force costs.

OPERATIONAL SUPPORT PROGRAMS

Operational Support Programs cover a wide range of WSRC activities needed to assure sound management and integration of the Site's operating activities. These programs include: Scientific and Laboratory Programs; Technical Services, including Security; Environment, Safety and Health Programs; Administration and Infrastructure, including Property Management; Engineering and Construction; Human Resources, EEO, Diversity, Employee Concerns and Alternative Dispute Resolution Activities; Financial Programs/Planning and Program Implementation; Legal functions; Public Affairs; Business and Community Programs; and Facility Disposition functions.

During period 8, deficiencies noted in the previous award fee letter were either corrected or plans were put in place and are being executed to resolve the identified deficiencies. However, careful and continued management attention on radiological control programs and site wide conduct of operations is important to assure lasting and continuous impact.

Significant achievements identified during this period include:

- Leadership in Integrated Safety Management System (ISMS) was acknowledged across the DOE complex. WSRC has continued to enhance feedback and improvement mechanisms with the ISM Executive Steering Committee providing the leadership necessary to further institutionalize ISMS.
- Sustained excellent construction safety record continued during this period resulting in construction personnel approaching 5 million man-hours without a lost workday case.
- In the area of Administration and Infrastructure, WSRC received several national awards that demonstrated outstanding support of small business development programs and project management in the area of energy conservation. The Small Business Administration Eisenhower Award is an exceptional recognition of WSRC success in this area.
- In the area of Technical Services, WSRC has done an excellent job in implementing the Training Program plan. Although much work remains, the progress to date is strong and notable.

Management attention is needed relative to the procedures and practices for cyber security, integration of radiological control inspector training with operations, and quality of the legal analyses required to support Freedom of Information Act requests.

FOCUS AREAS

In addition to evaluating WSRC performance in the six business areas noted above, I have also examined this period's performance in light of the five Focus Areas. We have agreed that these Focus Areas are critical to our success as a Site, and an evaluation from the perspective of these crosscutting areas helps to further inform the fee determination.

Safety and Security

WSRC demonstrated a strong commitment to enhanced worker involvement, as was validated during the Headquarters Office of Environment, Safety, and Health review of the WSRC Voluntary Protection Program. The Front Line Voices on Safety exemplifies this, and provides an effective avenue for raising issues to senior management. Improvements were observed in the quality and timeliness of authorization basis documents, although some initial products did not meet DOE expectations. Specifically, the HEPA filter assessment report and the corrective action plan from the criticality safety review required several iterations before an acceptable product was produced. WSRC has made good progress in addressing corrective actions from the nuclear criticality safety review. Over 90% of the items are complete and all remaining items are on schedule.

WSRC has made significant strides towards improving the protection of sensitive information. WSRC has taken an integrated approach through the Information Technology Products Action Plan (ITPAP). This approach is successfully integrating all of the WSRC organizations with information security functions into a coordinated improvement effort. Awareness of the need and methods to protect sensitive information has been greatly heightened through communications and training.

WSRC is working to improve its performance in the areas of security self-assessments and program management. WSRC conducted a debriefing of Idaho National Engineering and Environmental Laboratory personnel on its recent DOE Security Inspection to determine 'Best Practices.' WSRC is now employing 'Best Practices' to prepare SRS for a DOE Security Inspection scheduled for early 2001.

Technical Capabilities and Performance
In the focus area of technical capabilities, activities continue to meet or exceed expected production goals including the Secretarial commitments in the Defense Nuclear Facilities Safety Board (DNFSB) 2000-1 Implementation Plan. However, the rate of improvement in conduct of operations appears to be leveling out. This is an important area where continuous improvement is essential. While high risk activities are being well managed, increased focus on improvement in day-to-day work and support group work practices is still required.

WSRC work for non-SRS customers through its Savannah River Technology Center (SRTC) continued to support broader DOE goals. Schedule and cost baselines continued to be met in support of the Hanford River Protection project. WSRC sent technical experts to help DOE officials at Pantex address trichloroethylene from the plant that had contaminated a nearby aquifer.

Community, State and Regulator Relationships
WSRC continued to operate a strong environmental management system, as verified by numerous inspections, audits, and a new Certificate of Conformance to ISO 14001, the international standard of environmental management excellence. Continuing management focus will be needed to successfully resolve issues related to water quality. In particular, closure is needed with the Environmental Protection Agency on requirements for toxicity testing, as well as on requirements related to the mercury Total Maximum Daily Loading in the Savannah River Basin.

Enforceable agreement milestones and Site Treatment Plan commitments were met on or ahead of schedule.

WSRC continues to maintain good working relations with DNFSB members and staff, providing timely and responsive information in support of requests. All tours and meetings conducted during the period were adequate and good progress was made in addressing commitments in DNFSB recommendations. Continued progress will be needed as we go forward on the 94-1/2000-1 program implementation.

WSRC continued a very effective Public Participation Program which provided excellent administrative and logistical support to the SRS Citizens Advisory Board (CAB) and efforts to involve the public in SRS operations. Recent changes to internal CAB processes, coupled with the responsiveness of WSRC in providing factual information, should enable the CAB and other stakeholders to become better involved in SRS issues and add stakeholder perspectives to the decision-making process.

WSRC is recognized for its efforts in building better relations with representatives of the state of Georgia; using its corporate resources for anniversary activities that foster positive community relations; and hosting 22,000 family members for tours of the Site.

Cost Effectiveness
WSRC continued to demonstrate a cost conscious culture during the last award fee period. Most notable was the surpassing of the FY 2000 PACE of $60 million goal by a significant amount. WSRC also did an overall good job of managing financial execution of the budget during FY 2000.

In the area of project management performance has been mixed. Strong performance was observed on the TEF, Tritium Consolidation, HEU Blenddown, K-Area Materials Storage, Radiological Monitoring and Bioassay Laboratory, Storm Water Upgrades, and replacement Chiller projects. Performance on Am/Cm vitrification, Canyon Exhaust, and LEF needs additional management focus and attention. Progress in taking these projects from the design phase to the construction/operation phase will be an area of continued focus in the next period.

Corporate Perspective
WSRC continued to display good corporate perspective through continued integration of activities across the Site and the DOE Complex. Of particular note are WSRC's effective implementation of an Early Retirement Incentive Program, collaboration between H-Canyon and High Level Waste; and issuance of a revised draft Comprehensive Plan. WSRC continued good support for a range of national and DOE-wide programs and initiatives including excellent support to Defense Programs, the National Spent Nuclear Fuel Program, the Fissile Materials Disposition Program, specifically support for the MOX Fabrication Facility Project, and the National Transportation Emergency Preparedness Program. Excellent corporate perspective is also reflected in WSRC's efforts to address contaminated groundwater at the Pantex Plant, as noted above.

Having completed this review of performance in the context of the five crosscutting focus areas, I conclude no further adjustments are warranted.

DOE lead evaluators will be discussing their evaluations in detail with their respective WSRC counterparts. Thank you for your efforts and commitment to safety, security and continuous improvement of SRS.

Sincerely,

Greg Rudy
Manager

SB01-0008

Enclosure:
Table of Available vs. Earned
Fee by Major Area – Period 8

cc w/encl:
R. A. Pedde, WSRC

Enclosure: Letter, Rudy to Buggy, "Award Fee Determination for
April 1, 2000 through September 30, 2000, Award Fee Period 8
of Contract Number DE-AC09-96SR18500"

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TABLE OF AVAILABLE vs. EARNED FEE BY MAJOR AREA
Period 8 (April 1, 2000 - September 30, 2000)

PERFORMANCE AREAS	Fee Available	Period 8 Fee Earned
WSRC High Level Waste	$3,613,500	$3,107,610
WSRC Nuclear Materials Management and Nonproliferation	$3,595,625	$3,094,035
WSRC Solid Waste	$719,125	$661,595
WSRC Environmental Restoration	$1,438,250	$1,380,720
WSRC Tritium	$1,438,250	$1,340,535
WSRC Operational Support Programs	$4,314,750	$3,585,557
Period 8 WSRC Available/Earned	**$15,119,500**	**$13,170,052**
PACE Available/Earned in Period 8	**$2,978,425**	**$2,594,399**
Total Award Fee Available/Earned in Period 8	**$18,097,925**	**$15,764,451**